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National Intelligence Daily Cable for Wednesday December 1, 1976.

The NID Cable is for the purpose of informing senior US officials.

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CHINA: Government Positions

[] A meeting of the standing committee of the National People's Congress, China's legislature, opened yesterday in Peking. The last and most important item on the agenda is appointments to and removals from high-level government positions.

[] These appointments were not announced yesterday but are almost certain to include the formal replacement of the minister of culture, an ally of the four fallen leftists. It also seems increasingly likely that China's foreign minister, Chiao Kuan-hua, will be replaced. []

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[] The Foreign Ministry in any case appears to be in for a major shakeup. Chinese ambassadors to Canada, West Germany, France, Italy, Japan, Turkey, and the UN have all been recalled, apparently permanently. Some of these men may be in line for new posts at home, but nearly all have been identified to some degree with Peking's more outward-looking foreign policy of the 1970s. This, in addition to the extensiveness of the Foreign Ministry shakeup, raises questions about a possible readjustment in foreign policy. Thus far, the Chinese have been at pains to emphasize continuity in their foreign policy since the death of Mao.

[] Yesterday's meeting featured a brief speech by Party Chairman Hua Kuo-feng, who nominated Chou En-lai's widow to be one of the vice chairmen of the standing committee of the National People's Congress. Hua, whose speech was greeted with "thunderous applause," is plainly trying to capitalize on the immense popularity of the late Chou En-lai. Expressions of pro-Chou sentiment, which were partially stifled for most of this year as the leftists pursued Teng Hsiao-ping, have re-emerged with the fall of the four leading leftists.

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[] National People's Congress Vice Chairman Wu Te, who seems a good bet to be promoted to chairman--a position roughly equivalent to head of state--also gave a speech yesterday. Wu hailed Hua's appointment as party chairman and acclaimed the fall of the leftists. He reiterated the conciliatory attitude, announced in a *People's Daily* editorial on Sunday, toward lower level followers of the leading leftists. Wu also called for the continuation of criticism of Teng Hsiao-ping.

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[] It has been rumored that Teng will be rehabilitated now that his major detractors have fallen, but Wu's comment strongly suggests that Teng's rehabilitation, while still likely in the longer run, is not imminent.

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UN: Election of Secretary General

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[] The UN Security Council will meet Friday to elect the organization's secretary general for the next five years. The Council's recommendation will be forwarded to the General Assembly, where the appointment has usually been confirmed unanimously.

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[] Despite the introduction of some competition into the race--outgoing Mexican President Echeverria, who has been campaigning behind the scenes for months, formally announced his candidacy yesterday--incumbent Secretary General Waldheim appears to have the support to assure his re-election.

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[] The Mexicans, however, apparently still consider Echeverria a viable candidate. They have been counting on the Chinese to veto Waldheim's re-election.

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[] Only the five permanent members can veto a candidate; the other four--the US, UK, France, and the USSR--support Waldheim's re-election. In a recent conversation, Mexican Foreign Minister Garcia Robles reiterated his belief that the Chinese had practically confirmed their intention to veto Waldheim, thus throwing open the election to third-world candidates. This could open the way to contenders such as Sri Lanka's Amerasinghe as well as Echeverria.

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[] We do not know Chinese intentions. They have repeatedly deflected requests for public support of Echeverria's candidacy by urging the Mexicans to seek broad third world support first. The Chinese might, however, repeat their performance in 1971 when they vetoed Waldheim on the first secret ballot but then dropped their objections, permitting his election.

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USSR-US: Brezhnev Speaks on Relations

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[] Soviet General Secretary Brezhnev took the US to task last night in a speech honoring Secretary Simon and the participants in the Fourth US-Soviet Trade and Economic Council. Brezhnev's comments were clearly intended for the incoming US administration and the new Congress. He summarized Soviet grievances with Washington and expressed hope for expanded cooperation in the future.

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[] Brezhnev's complaints were not new, but he obviously wanted to emphasize Moscow's view that in the key areas of trade and arms control, the US is responsible for retarding progress in US-Soviet ties and must take the initiative in getting relations back on track.

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[] Brezhnev was quite blunt, as was Foreign Trade Minister Patolichev earlier in the day, in criticizing US trade policy toward the USSR. He said "we resolutely reject any attempts to link trade with any political conditions and will not tolerate any interference in our internal affairs. This must be made clear once and for all." He warned that US businessmen will continue to lose Soviet business unless US trade discrimination against the USSR is eliminated.

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[] The Soviets have given renewed attention recently to the subject of US-Soviet trade, suggesting that they hope the new administration will be able to work out an acceptable compromise with Congress. During the US presidential campaign they reacted favorably to Governor Carter's comments concerning the elimination of discriminatory trade barriers between the US and the USSR and his characterization of the Jackson-Vanik amendment to the 1974 trade bill as a "mistake."

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[REDACTED] In his remarks last night, Brezhnev decried the anti-Soviet rhetoric of the US election campaign and emphasized the "clear and consistent" nature of Soviet policy toward the US, especially in attempts to curb the arms race. Praising past Soviet proposals and US-Soviet agreements in this area, he said the USSR is prepared to go further in cooperation with the new administration "if it is prepared to act in the same spirit."

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[REDACTED] Brezhnev voiced strong support for limiting strategic offensive arms and called for an intensification of efforts to sign a new SALT agreement. He said that it is "high time to put an end to the freeze of this important question imposed by Washington" and that he expects an agreement to be based on the Vladivostok understandings. He added that the USSR is prepared to discuss possible new measures to prevent the proliferation of nuclear weapons and reduce the threat of nuclear war. [REDACTED]

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EUROPE AND JAPAN: Computer Markets

[REDACTED] //Some West European countries--generally the EC nations--and Japan are continuing efforts to restrict US participation in their domestic data communications, computer, and computer-based service markets. The US currently holds about 50 percent of the Japanese and 70 percent of the West European computer markets.//

[REDACTED] //The Japanese and West Europeans recognize that at present they are unable technologically to compete with the US in such industries, and are imposing trade barriers and stepping up domestic production and development programs in an effort to limit US sales.//

[REDACTED] //The trade barriers range from tariffs to excessive red tape, such as requiring the use of some domestically produced equipment and imposing unnecessary inspections. Japanese tariffs on computer systems, for example, are three times higher than comparable tariffs in the US.//

25X1 [] //In Europe, development programs include the planned establishment, by members of the EC, of Euronet, the first international computer network to be built by state monopolies rather than by private enterprise.//

25X1 [] //The Euronet development schedule calls for the establishment of facilities in each EC country by the end of 1979. European officials hope to develop and control shared data systems through such multinational action, which they feel is necessary to avoid future dominance by US corporations.//

25X1 [] //The Japanese government, which already provides limited public computer and data communications services, plans to expand and improve the quality of such services by installing a digital data transmission network in March 1978. US firms have a greater variety of services, better software, and lower prices than are provided by the present Japanese network, but Tokyo has effectively discouraged or directly prohibited US competition. []

WEST GERMANY: Nuclear Energy Dispute

25X1 [] The West German government's program calling for expanded use of nuclear power is under attack by increasingly assertive environmentalist groups, which are putting pressure on national political leaders to reconsider current policies.

25X1 [] In one of West Germany's first major public demonstrations against the use of nuclear power, some 3,000 demonstrators in Schleswig-Holstein in late October attacked police protecting a site for a new nuclear power installation. The clash received widespread media coverage and focused attention on the concerns of many West Germans over possibly damaging side effects of radioactive nuclear waste.

25X1 [] Most government leaders see no practical alternative at present to increasing reliance on nuclear power. Chancellor Schmidt has publicly defended the government's stand, and opinion polls show that the antinuclear groups have attracted only marginal support among workers. Many officials, however, openly admit that it will be increasingly difficult to press for the maximum goals outlined in the energy program.

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[] Economics Minister Friderichs, who plays a central role in the formulation of nuclear energy policy, faces opposition from his fellow Free Democrats, who passed a resolution last week at their national convention calling for a reduction in the government's nuclear program. The official press service of Schmidt's Social Democratic Party has published a similar plea from Social Democratic leaders in Schleswig-Holstein.

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[] National leaders representing the two coalition parties are currently working on the government program for the next four years and will work hard to prevent the nuclear energy issue from undermining negotiations between the parties. Friderichs has hinted privately that a slight cutback in the nuclear program may be possible if the growth rate of the consumption of electricity slows by 1985, as is now anticipated.

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[] For the moment, the Schmidt government will try to convince the public that measures are being taken to protect the environment. Interior Minister Maihofer, a Free Democrat, recently sent an open letter to a prominent citizens' group declaring that operating licenses for reactors will be issued only after applicants have demonstrated that they have devised safe methods of disposing of radioactive waste. []

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PERSIAN GULF STATES: Foreign Ministers' Conference

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[] //The foreign ministers of the countries on the Persian Gulf were unable to agree on a formula for closer cooperation on regional issues during a two-day conference in Oman last week.//

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[] The conference was the fourth meeting since July 1975. Each has ended with talk of further sessions, but the prospect for meaningful cooperation, especially on regional security, is receding.

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[] The attendance of Iraq at the meeting assured its failure. Iraqi leaders support regional cooperation only among Arab states--thus excluding Iran--and only on such prosaic subjects as information and health. They refuse to discuss regional cooperation on security matters.

25X1 [] The Iraqi foreign minister attended the meeting only after failing in his efforts to have it called off. Preliminary reports indicate he took a very negative line on the agenda, insisting that discussions be limited to the question of freedom of navigation through the Strait of Hormuz.

25X1 [] Iraqi diplomacy is aimed at blocking any regional formula that limits the movement of ships through the strait. Iraq believes that Iran could ultimately use such restrictions against Iraq and its patron, the USSR.

25X1 [] Iran, supported by Oman, takes the position that the Persian Gulf is a closed sea from which foreign military presence must be excluded. In law of the sea negotiations, the two governments support the restrictive "innocent passage" principle for the Strait of Hormuz, while Iraq supports the principle of "free passage."

25X1 [] The Shah of Iran has been virtually the only advocate of a comprehensive multilateral security pact for the Gulf region. He regards such a pact as a way to consolidate Iran's already strong position and as a vehicle for employing Iran's power in a policing role.

25X1 [] Political developments in early 1975, including a political accord between Iran and Iraq, encouraged the Shah to believe progress on a pact was possible. Subsequent developments have almost certainly convinced him a pact is not now attainable.

25X1 [] Bilateral ties, like those developed in recent years between Iran and Oman, offer an alternative way of employing Iran's power in the region. Although the Shah continues to push publicly for a collective agreement, privately he may have already switched the emphasis to the bilateral channel.

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25X1 [] Iran's foreign minister traveled directly to Kuwait following the Oman conference. He is quoted in the Kuwaiti press as saying that collective agreements are preferable, but

the only kinds of agreements that seem possible now are bilateral ones. The Shah is especially concerned about Kuwait's security because of its border dispute with Iraq.

25X1 [] Iran may also be thinking of adjusting its policy toward Iraq in light of Baghdad's continuing refusal to cooperate on regional issues. []

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[]
The Shah recently referred publicly to Iraq as a surrogate for the USSR.

25X1 [] The Shah may be returning, at least part way, to his previous policy of portraying Iraq as an agent for instability in the Gulf and of seeking Iraq's diplomatic isolation. []

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NAMIBIA: Constitutional Conference

25X1 [] South African Prime Minister Vorster's meeting last Thursday with a committee of the multiracial Namibian constitutional conference seems to have forestalled a collapse of the conference. No apparent progress was made at the meeting, however, toward resolving the impasse between white and nonwhite participants.

25X1 [] The committee had requested the meeting with the Prime Minister because its efforts to devise a multiracial interim government for Namibia, which South Africa administers as a trust territory, were stalled by basic disagreements among the 11 delegations to the conference. The delegations represent the whites and the 10 nonwhite ethnic groups inhabiting the territory.

25X1 [] Most of the white members of the committee have insisted on interim arrangements that would diffuse power among the existing ethnic homelands in a loose federal system instead of setting up a strong central government. Such a system would enable the whites to maintain control of Namibia's rich mineral resources even though they make up only 12 percent of the population.

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[] Shortly before the constitutional committee went to Pretoria to meet with Vorster, some of its nonwhite members told the press that a loose federal system was unacceptable. They also said they intended to ask Vorster to press the hardliners in the white delegation to yield to the nonwhite majority.

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[] We do not know how Vorster coped with such demands at the meeting last Thursday--his first with any of the nonwhite delegates. The lone white moderate, who is chairman of the committee, told the press that Vorster was ready to back any form of interim government that was agreed upon by the conference.

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[] According to the US embassy, guarded commentary from several participants at the meeting indicates that Vorster stressed the urgency of reaching an early consensus on forming a government, but made no clear effort to encourage the white hardliners to compromise with the nonwhites. []

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BANGLADESH: Zia Takes Over

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[] Bangladeshi General Zia ur-Rahman, de facto leader of the country since the military coup of November 1975, assumed full powers as chief martial law administrator late Monday. The title had been held by President Sayem, who remains president but is relegated to a ceremonial status only.

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[] Within hours of Zia's formal takeover, political leaders of most major parties were under arrest; []

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[] Khondakar Mushtaque Ahmed, leader of the Democratic League and president of Bangladesh for two months prior to Zia's assumption of power last year, may be tried for his alleged role in the murder of several political leaders.

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[] President Sayem had publicly promised elections by next February and was apparently the major advocate within the government of a return to normal political activity. The Sayem administration began preparations for elections last summer by reviewing the charters of some 50 groups seeking status as legal political parties and by eventually approving 21 of them.

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[] Other government and military officials apparently persuaded Zia that a return to political activity would regenerate the political violence that traditionally accompanies Bangladeshi politics.

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[] Although no overt opposition to the postponement of the elections has yet appeared, US embassy sources report that several of the more influential politicians may already have been organizing opposition to the government. Zia presumably also saw arrests as a way to remove possible rivals--particularly Mushtaque, who has significant popular support--at least temporarily from the public eye.

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[] Zia presumably will continue to rely on knowledgeable civilians to run much of the government, particularly the ministries of economics and foreign affairs. Zia may eventually loosen restrictions on political activity and begin once again to prepare the country for a return to parliamentary rule, or decide to institutionalize his personal rule, as Ayub Khan institutionalized his rule in the united Pakistan of 1958.

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[] Regardless of Zia's final choice, should serious opposition develop in the interim, he can be expected to move quickly and effectively to counter it. []

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INDIA: Another Good Crop

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[] India is harvesting a bumper grain crop for the second consecutive year.

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[] Foodgrain production reached a record 118 million tons for the crop year ending in June 1976 and should range from 107 million to 112 million tons this crop year. Foodgrain output averaged only 102 million tons annually during the preceding four years.

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[] Good weather has been primarily responsible for the larger harvests, although increased use of fertilizer and of better seeds have also contributed.

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[] Grain import orders were suspended last spring and are not likely to be resumed any time soon. Barring a poor spring crop, which appears unlikely, no new import commitments are expected before mid-1977.

[] Two good harvests in a row are severely straining India's food storage capacity. Buffer stocks now total 17 million tons and are likely to increase further. India has permanent facilities for some 12 million tons; much of the remainder has been stored in the open.

[] The upturn in agriculture--and in the overall economy--is largely responsible for the calm political atmosphere that has prevailed since Prime Minister Gandhi tightened her hold over the government in mid-1975. The absence of significant public discontent has enabled her to concentrate on restructuring the government along authoritarian lines, and to postpone national elections a second year, until 1978.

THAILAND-MALAYSIA: Prime Minister's Meeting

[] Malaysian Prime Minister Hussein and Thai Prime Minister Thanin met on Monday and agreed "in principle" to cooperate more closely in operations against communist insurgents in the Thai-Malaysian border area.

[] Lower level officials of the two governments have been negotiating on the problem since early November. On November 4, the Malaysian home minister went to Bangkok to lay the foundation for a resumption of formal border talks that have been suspended for more than six months. A meeting between high-level security and military officials of the two sides was held in Penang, Malaysia on November 11.

[] Beyond this, the Malaysians appear to have allayed the suspicion in Bangkok that they are secretly supporting the large Muslim population in southern Thailand that wants to become part of Malaysia. The Thai had insisted--as a condition for joint military actions against communist insurgents--that

[redacted]

the Malaysians also participate in joint operations against the Muslim separatists. During the meeting on November 11, however, the Thai dropped this demand and unconditionally agreed to restore joint operations on the insurgency problem.

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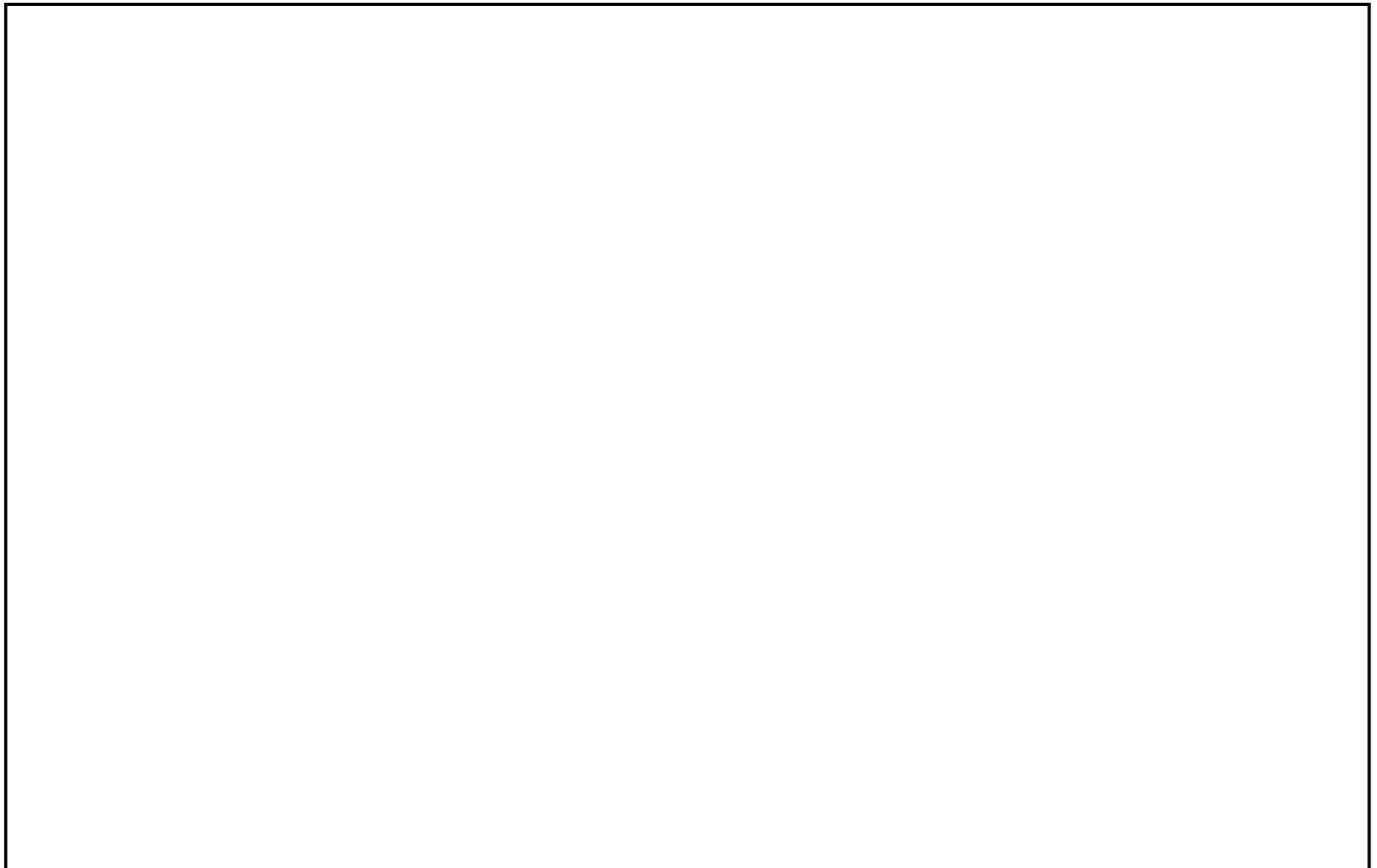
[redacted] The joint border operations are particularly important to the Malaysian counterinsurgency program as the insurgents, without official Thai sanction, continue to cross the border for sanctuary. An agreement broke down last April when the Malaysians violated it by bombing Thai territory.

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[redacted] With the conservatives in Malaysia's ruling party pressing Prime Minister Hussein to take a tougher attitude toward communists in general, Hussein will find it politically useful to point to improved border cooperation with the Thai.

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USSR - SAUDI ARABIA: Exchange of BroadSides

25X1 [] //Soviet opposition to Saudi Arabia's increasingly active role in the Middle East and North Africa has led to a rare exchange of broadsides between the two countries.//

25X1 [] On November 26, an article in the Soviets' *New Times*, an unofficial weekly often used to float trial balloons in foreign policy, accused the Saudis of promoting defense links between the US and the Arab countries and of supporting "reactionary" forces in Lebanon. The Saudis responded the next day, calling the USSR a "master of mischief and slander" against communist as well as noncommunist governments.

25X1 [] //Both countries have previously avoided open exchanges of hostility, but the USSR has become increasingly resentful of Saudi Arabia's use of political and economic resources to play an influential role in the area. In the past several months, for example, the Saudis have worked to arrange a cease-fire in Lebanon, narrow Egyptian-Syrian differences, and cool the Algerian-Moroccan dispute over Western Sahara.//

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25X1 [] //The Soviets are disappointed that nothing came of what appeared to be a more conciliatory Saudi attitude toward Moscow following Faysal's assassination. The USSR broke diplomatic ties nearly 40 years ago but has long been trying to reinstitute them.//

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